

students and postsecondary institutions. We believe any amendment must include retention of the grace period for student loan borrowers; elimination of the .85 percent tax on annual school loan volume; allowing schools the choice to join in the Direct Loan Program without elimination of current participating institutions; and, retention of the current interest rate calculation and caps in the PLUS loan program. Each of these provisions is so critical for students and postsecondary institutions that NASFAA would seriously consider not supporting any amendment package that does not include each of these four provisions.

Retention of the grace period is important to ensure students do not have even greater loan debt as they begin their chosen careers. Depending on how much a student borrowed, elimination of the grace period would add up to \$2,500 to their loan debt possibly leading students to alter career plans, default in greater numbers, or defer major life and consumer decisions for the future.

Every student in the country and every postsecondary institution would be affected by the .85 percent tax on a school's annual loan volume. If this fee is approved, postsecondary institutions would either cut their budgets in various areas leading to decreased academic or student services, or schools will pass this cost onto their enrolled students in the form of increased tuition or fees. This would be an unfortunate escalation of student costs imposed by Congress at a time when American families are already having difficulties financing postsecondary education.

NASFAA believes Congress should follow through on its earlier commitment to operate a Federal Direct Loan Program, along with the Federal Family Education Loan Program for a minimum five-year period. In 1993, when the William D. Ford Federal Direct Loan Program was authorized, institutions were assured this new program would operate for a minimum five-year period in order to determine whether such an approach might prove more cost-effective and efficient than the existing Federal Family Education Loan Program. For the first time in many years there is healthy competition occurring between the two Federal loan programs.

The quality of service being offered by both programs, however, is much better than it was with a single program, and students and institutions are being better served. Therefore, NASFAA supports inclusion in any amendment to the Reconciliation bill "plus demand" language to ensure postsecondary institutions have the freedom to choose the Direct Loan Program if that best serves the needs of its students. Under the committee-reported bill reducing loan volume to twenty percent, half of the current Direct Lending Program participants would be arbitrarily removed from that program. Further, the committee-reported bill would eliminate scores of schools from participating in the current award year since the legislation mandates a drop of Direct Loan Program volume to thirty percent in academic year 1995-96. This would not be a "minor inconvenience" to these postsecondary institutions that have invested heavily in changing operating procedures, hardware and software systems, and explanatory materials to students.

The cost of a PLUS loan could increase by as much as \$5,000 unless this provision is stricken from the bill. This large increase could potentially lead to greater defaults in this program when combined with an increase in the PLUS loan cap or discourage parents from assuming their responsibility to pay for their children's postsecondary education expenses.

NASFAA is thankful for your leadership efforts to develop an amendment reducing the impact of cuts mandated by the Reconciliation bill. While we appreciate your efforts, again, NASFAA must strongly urge you to include in any amendment all of the above four elements benefiting students, families, and schools.

Sincerely,

DALLAS MARTIN,  
*President.*

Mr. SIMON. Mr. President, they say what I think makes sense: Give people the choice. We are going to have an amendment to do precisely that.

Then, finally, Mr. President, the inspector general of the Department of Education testified that with these guarantee agencies who are handling Federal funds, we have \$11 billion at risk. Indiana University, "What we have learned": Ninety percent less paperwork, this is under direct lending; 25 percent fewer errors, easier adjustments, faster disbursement.

Director of financial aid, University of Idaho:

On registration day, we had 46 percent more funds available for students who did not have to wait for the whole process. Every school that has gone with the direct loan program sees it as a simpler program for students. It saves taxpayers money and provides the students with more options.

Kay Jacks, director of financial aid, Colorado State University:

I can hardly talk about eliminating the direct lending program without crying. Students are happy, universities are happy. Why they want to cut it, I just don't get it.

Every college and university, I repeat, that has the direct lending program wants it to continue. Not a single one wants to back off.

It ought to be clear, Mr. President, that we ought to give colleges and universities choice, and when reconciliation comes up on the floor, there will be an amendment, I hope a bipartisan amendment, which will save money for taxpayers, save paperwork, give colleges and universities the choice. That is what it ought to be about.

One other not so minor point, Mr. President, under the old program, many, many students could not qualify. Under the changes we made when we first adopted this program, any student can qualify, including middle-income students. I hope we do the sensible thing.

I am pleased to yield the remainder of this time to my colleague from Iowa.

Mr. HARKIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. HARKIN. Mr. President, I thank Senator SIMON for his statement. I want to also thank him for being a great leader on direct lending all these years and especially the statement just made this morning.

I might differ one little bit from my friend and colleague from Illinois. I happened to have gone to college in the late fifties, and I remember a program came in under the Eisenhower administration. I did not have it my first couple years of college, but I had it in my

last years of college, the National Defense Student Loan Program, a direct lending program. You went to the window and got your money.

I always thought it was a great program for a lot of reasons: You got your money right there. There was not a lot of hassle. It was right there at the school. And then when you got out of college, well, if you went in the military, you did not have to pay anything. No interest accrued on the loan during the time you were in college.

If you went in the military, no interest accrued during that time or if you went on to school after that. I am quite frank to admit that after college, I spent 5 years in the military and then 3 years in law school. I had a year's grace period after that. So no interest accrued for almost 9 years from the time I graduated from college.

For someone like me whose parents had no income at all—my father was on Social Security when I started college, very modest Social Security, we had no assets whatsoever—it was a godsend. So I always thought it was a great program.

Then we went to the guaranteed student loan program. Maybe it did work all right for a period of time. But, the banks, frankly, made a lot of money on that. Fine, good, that's their business. But why should we continue doing business as usual when we have a better way of doing it, and the better way of doing it is the direct lending program.

The Senator from Illinois started his comments by saying about how the long lines have dwindled. I always say one picture is worth a thousand words. This is at the University of Northern Iowa, one of our regent schools in Iowa. This is a picture last year before we had direct lending. This is the line for students to get their guaranteed student loans and get it processed. These are all the students that are having problems with their loans.

I was told the picture does not do it justice, because if you look back to the doorway, the line goes on down the hall. But you get the idea. There is a line of students waiting to get their guaranteed student loans. That was last year. They have now instituted direct lending.

Here is the same picture, same place, same financial aid office. No lines at all. No one waiting in line, and that has been the story at all of the schools in Iowa that have used direct lending. We have 38 Iowa schools right now. What I have heard from all of them is just positive comments about how the direct lending program is working. No lines, no hassle, students get their loans, and they are able to get about their business of studying.

Earlier the Senator from New Mexico was on the floor talking about the budget. We do have to bring our deficit down. No one is arguing about that. The Senator from Illinois has been a leader in the effort to reach a balanced budget and to get us moving toward a